

# NOTES FOR COMPLETION OF ANNUAL RETURN OF INCOME OF COMPANY & TRUST

## YEAR OF ASSESSMENT 2017-18

These notes are intended to assist in the completion of the return. If further information is required please contact the Mauritius Revenue Authority (MRA), Ebrahim Court, Ground Floor, Cnr Mgr Gonin & Sir V. Naz Streets, Port Louis, Tel 207-6010. Website: <http://www.mra.mu>

### Note 1 Main business activity (Page 1 item 4)

Please consult "List of Activities" available under "Media Centre" on MRA website before entering appropriate sector, type and detail of activity.

#### Expression of doubt

If you are in doubt regarding the interpretation of the law or treatment in respect of any items contained in this return, you may submit the return according to your own interpretation of the law or treatment, by giving a description of the issue in question and specify the doubt in the space provided. When you express a doubt, the law provides that there will not be any penalty for late payment on any additional tax which could result from any adjustment in relation to the doubt specified.

### Note 2 Declaration

This section should be completed after filling in all items on pages 1 to 5. Regarding payment, cheque should be crossed and made payable to the Director-General, MRA. Full name, tax account number and business registration number of the company should be written on the verso of the cheque.

### Note 3 Trading and Profit and Loss account

The details of trading and profit & loss a/c should be given on page 2.

No accounts should be attached. Any item of expenditure in the Trading & Profit & Loss a/c not indicated in the return should be included in item 40 'other expenses'.

### Note 4 Balance Sheet

The details of Balance Sheet's items should be given on page 3. **Where details are not provided, the company shall be deemed not to have submitted a return.**

### Note 5 Computation of chargeable income

The profit as per the profit & loss a/c is not the taxable profit as not all items of income are taxable nor are all items of expenses deductible for tax purposes. The net profit/loss as per profit and loss a/c needs to be adjusted on page 4 to arrive at the chargeable income.

#### Income to be expressed in Mauritian Rupees

Any amount of income derived or expenditure incurred and remitted during an income year in a currency other than Mauritian rupees should be converted in Mauritian rupees at the exchange rate in force as at the date of remittance. Where any such amount is not remitted during the income year it is derived or incurred, it should be converted at the exchange rate in force at the end of that income year. However, where a company prepares its financial statements with the approval of the Registrar of companies in either US dollar, Euros, GB pounds sterling, Singapore dollars, South African rands, Swiss francs or such other foreign currency as approved by the MRA, the return and payment of tax should be made electronically in that currency.

#### General Rule for deduction of expenses

Any expenditure or loss to the extent to which it is exclusively incurred in the production of the gross income of the business is deductible from the gross income.

#### Unauthorised deductions

The items of expenditure that are specifically prohibited by Section 26 of the Income Tax Act include -

- any investment, expenditure or loss to the extent to which it is capital or of a capital nature;
- any expenditure or loss to the extent to which it is incurred in the production of income which is exempt income;
- any reserve or provision of any kind;
- any expenditure or loss recoverable under a contract of insurance or of indemnity;
- any expenditure incurred in providing business entertainment or any gift;
- income tax or foreign tax;
- any expenditure or loss to the extent to which it is of a private or domestic nature.

#### Item 2 - Expenditure incurred in the production of exempt income

- Expenditure or loss exclusively incurred in the production of exempt income is not allowable.
- Where expenditure or loss is incurred in the production of both gross income and exempt income, that part of the expenditure or loss attributable to the production of exempt income shall be calculated using the following formula:  

$$\frac{\text{exempt income} \times \text{expenditure or loss}}{\text{total gross income (including exempt income)}}$$

- Where the proportion of exempt income to total gross income in the above formula is 10 per cent or less, no part of the expenditure or loss as determined above shall be disallowed.

#### Dividends payable

Dividends payable are not deductible in computing the chargeable income of a company.

#### Item 13 - Dividends receivable

Dividends receivable from a resident company are exempt from tax. However, where a company's income includes exempt income, the expenses incurred to produce such exempt income should be added back in Item 2 of Page 4. Dividends receivable from outside Mauritius are taxable.

#### Item 14 - Other exempt income

Other types of income exempted under Part II of the Second Schedule to the Income Tax Act may be deducted under this item.

#### Item 15 - Annual allowance

- (A) Depreciation, being a provision, is not an allowable expenditure. A company may instead, claim deduction in respect of annual allowance on capital expenditure at the prescribed rates, as follows:-

#### Capital expenditure incurred on

	Rate as a % of Base Value Cost	
1. Industrial premises excluding hotels	-	5%
2. Commercial premises	-	5%
3. Hotels	30%	-
4. Plant or Machinery – (a) costing or having a base value of 30,000 rupees or less	100%	or 100%
(b) costing more than 30,000 rupees –		
(i) ships or aircrafts	20%	-
(ii) aircrafts and aircraft simulators leased by a company engaged in aircraft leasing	-	100%
(iii) motor vehicles	25%	-
(iv) electronic and high precision machinery or equipment, computer hardware and peripherals and computer software	50%	-
(v) furniture and fittings	20%	-
(vi) other	35%	-
5. Improvement on agricultural land for agricultural purposes	25%	-
6. Scientific research	25%	-
7. Golf courses	15%	-
8. Acquisition of patents	25%	-
9. Green technology equipments	-	50%
10. Landscaping and other earth works for embellishment purposes	-	50%
11. Acquisition or improvement of any other item of a capital nature which is subject to depreciation under the normal accounting principles	-	5%

Where a company, carrying on business other than tour operator or car rental, has incurred capital expenditure on or after 1 January 2011 on a motor car costing more than three million rupees, the annual allowance shall be 25% of the base value, limited to three million rupees in the aggregate. Base value means cost less any amount allowed by way of annual allowance.

- (B) Accelerated annual allowance on capital expenditure incurred as from 1 January 2013 may be claimed on the items listed below, as follows:-

#### Capital expenditure incurred on

	Rate as a % of Base Value Cost	
1. Industrial premises dedicated to manufacturing	30%	-
2. Plant or machinery costing 50,000 rupees or less	-	100%
3. Electronic and high precision machinery (including computer hardware and software)	-	50%
4. Plant and machinery (excluding passenger car) by a manufacturing company	-	50%
5. Scientific research	-	50%

Where annual allowance has been claimed under paragraph (A), no allowance should be claimed under paragraph (B). It is to be noted that no annual allowance is allowable unless proper books of accounts and records are kept.

• **Item 16 - Investment allowance**

In addition to annual allowance, investment allowance may be claimed by a company which incurs capital expenditure in the island of Rodrigues for

- (i) the construction of industrial premises; or
- (ii) the acquisition of new plant and machinery for the processing of agricultural, fisheries or livestock products or for manufacturing activities.

The rate of investment allowance is 100% of the capital expenditure and may be claimed in the year in which the expenditure is incurred.

• **Item 18 - Allowance for disabled employee and emoluments incurred in Rodrigues**

An additional deduction equivalent to the amount already claimed in accounts is allowable in respect of expenditure incurred on -

- (i) emoluments in respect of a disabled person; or
- (ii) emoluments and training costs in respect of an employee employed in any business set up in the island of Rodrigues.

• **Items 22 to 24 - Losses brought forward from previous year**

Section 59 of the Income Tax Act provides that losses incurred may be deducted in computing net income in an income year. Where the loss cannot be fully relieved in an income year, the unrelieved loss may be carried forward and set-off against net income derived in the following 5 income years only.

Where a company's accounting year ends -

- (i) on any date between 1 January 2017 and 30 June 2017, it may not carry forward and set-off in its return for the year of assessment 2017-18 any unrelieved loss relating to year of assessment 2011 and previous years.
- (ii) on any date between 1 July 2017 and 31 December 2017, it may not carry forward and set-off in its return for the year of assessment 2017-18 any unrelieved loss relating to year of assessment 2012 and previous years.

The time limit of 5 years is not applicable for the carry forward of loss attributable to annual allowances in respect of capital expenditure incurred on or after 1 July 2006.

• **Item 26 - Transfer of loss on takeover or merger**

The law provides for the transfer of unrelieved losses where a company takes over another company engaged in manufacturing activities or where 2 or more companies engaged in manufacturing activities merge into one company, provided that the acquiree company is dissolved after the takeover and on such conditions relating to safeguard of employment as may be approved by the Minister.

**Note 6 Calculation of tax**

**Income Tax Rate**

The rate of tax applicable to all companies is 15%.

• **Items 30 to 40 - Corporate Social Responsibility (CSR)**

Every company is required to set up a CSR Fund equivalent to 2% of its chargeable income for the preceding year to implement a programme in accordance with its own CSR framework and having as its objects the alleviation of poverty, the relief of sickness or disability, the advancement of education of vulnerable persons or the promotion of any other public object beneficial to the Mauritian community.

Where a company had not spent the whole or part of the amount of the CSR Fund for the previous income year/s, it should add, at line 31 of the return, the unspent amount brought forward.

Where, as at 30 June 2016, a company had paid out of its CSR Fund, a sum in excess of the amount provided for under that Fund, the excess amount may be carried forward and offset in equal instalments against any amount to be remitted at line 32 of the return, in respect of 5 succeeding years starting as from year of assessment 2016/2017.

Where, in respect of the income year ended 30 June 2017, a CSR fund was created before 7 September 2016, and the amount spent out of that CSR Fund exceeds the amount provided under the Fund, the excess to the extent of 20% of the amount provided, may be carried forward and offset in equal instalments against any amount provided to be spent under the Fund in respect of the 5 succeeding years.

Details of CSR projects implemented and amount spent during the income year should be provided on page 5 of the return. Additional sheets in the same format may be attached, if necessary.

Enter at line 34 any amount paid as CSR in the APS statements relating to the current income year, A company licenced under Part II of the Fifth Schedule to the

Gambling Regulatory Authority Act (GRA) may deduct from its CSR fund of the year, at line 39, any amount paid during that year as levy under section 114 of the GRA Act.

CSR is not applicable to:

- (i) a GBL I company;
- (ii) a bank, in respect of income derived from non-residents or GBL corporations;
- (iii) an IRS company;
- (iv) a non-resident société, a foundation, a trust or a trustee of a unit trust scheme.

• **Item 41 - Solidarity levy on telephony service provider**

This is applicable to a telephony service provider whose book profit exceeds 5% of its turnover. The solidarity levy payable shall be the aggregate of 5% of book profit and 1.5% of turnover.

• **Item 43 - Special Investment Tax Credit**

- (i) If, during the period from 1 January 2014 to 30 June 2016, a manufacturing company has invested an amount in excess of MUR 100 million in plant or equipment for the production of -

- (a) computers, film, pharmaceuticals or medicinal chemicals, ships and boats, textiles, wearing apparels;
- (b) electronic or optical products, electrical equipment, furniture, jewellery and bijouterie, medical and dental instruments, devices and supplies;

it may deduct 5% of the amount invested in its return for the year in which investment is made and the 2 subsequent years. If the amount of tax credit exceeds the tax payable for the year, the excess may be carried forward to the next year. Any excess credit may be carried forward for a maximum period of five consecutive income years following the income year in which the capital expenditure was incurred.

- (ii) If, during the period from 1 July 2016 to 30 June 2020 -

- (a) a manufacturing company has incurred capital expenditure on new plant and machinery mentioned in (i) above, it may claim in its return, a tax credit of 15% for items specified in (i)(a) and 5% for items specified in (i)(b) above;
- (b) a company has invested in the share capital of a subsidiary company engaged in the setting up and management of an accredited business incubator; it may deduct, in its return, a tax credit of 15% of the investment in the share capital of a subsidiary company engaged primarily in the setting up and management of an accredited business incubator subject to a maximum of 3,000,000 rupees.

The tax credit under (ii) may be claimed in respect of the year of acquisition or investment and for each of the 2 subsequent income years. Any excess credit may be carried forward for a maximum period of ten consecutive income years following the income year in which the capital expenditure was incurred.

• **Item 47 - Tax deducted at source (TDS)**

A company should take credit of TDS in accordance with the "Statement of Income Received" for the income year immediately preceding the due date of submission of the relevant annual return.

The BRN and TAN of the payer should be inserted where the TDS has been deducted on income derived by the company directly.

Where the company is entitled to deduct the share of TDS on income derived by a Société, the BRN and TAN of the Société should be inserted.

Attach additional sheet(s) if necessary to give the required details.

• **Item 49 - Tax paid under APS**

Relates to amounts already paid under Advance Payment System for year of assessment 2017-2018 and should exclude any amount deducted at line 34 on page 4 of the return.

• **Item 50 - Tax payable**

The total tax balance is payable by the due date for submission of the annual return of income.

• **Item 51 - Interest on unpaid tax**

The law provides for payment of interest at the rate of 0.5 per cent per month or part of the month during which the tax remains unpaid.

• **Item 52 - Penalty**

- **Late submission of return (LSR):** A penalty of Rs 2000 per month or part of the month is payable until the time the return is submitted, up to a maximum of Rs 20,000. However, where the company is a small enterprise having an annual turnover not exceeding 10 million rupees, the maximum penalty is Rs 5,000.

- **Late payment of tax (LPT):** A penalty of 5 per cent of the amount of tax is payable in case of late payment. However, where the company is a small enterprise having an annual turnover